

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Human Resources	(2) MEETING DATE 12/2/2014	(3) CONTACT/PHONE Tami Douglas-Schatz, Human Resources Director 781-5959	
(4) SUBJECT Submittal of a resolution conferring a one-time \$1,000 Health Care Cost Offset payment to all permanent full-time employees and a prorated amount to all permanent part-time employees based on part-time allocation in all bargaining units. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board adopt a resolution conferring a one-time \$1,000 Health Care Cost Offset payment to all permanent full-time employees and a prorated amount to all permanent part-time employees based on their part-time allocation. Employees in all bargaining units who are employed at any point during the pay period which includes December 2, 2014 (pay period beginning November 23, 2014), will receive this one time distribution.			
(6) FUNDING SOURCE(S) Departmental Savings/Contingency and Reserves	(7) CURRENT YEAR FINANCIAL IMPACT \$2,426,000.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input type="checkbox"/> Board Business (Time Est. ____)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW Reviewed by Leslie Brown			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Tami Douglas-Schatz, Human Resources Director
781-5959

DATE: 12/2/2014

SUBJECT: Submittal of a resolution conferring a one-time \$1,000 Health Care Cost Offset payment to all permanent full-time employees and a prorated amount to all permanent part-time employees based on part-time allocation in all bargaining units. All Districts.

RECOMMENDATION

It is recommended that the Board adopt a resolution conferring a one-time \$1,000 Health Care Cost Offset payment to all permanent¹ full-time employees and a prorated amount to all permanent part-time employees based on their part-time allocation. Employees in all bargaining units who are employed at any point during the pay period which includes December 2, 2014 (pay period beginning November 23, 2014), will receive this one time distribution.

DISCUSSION

The increase in health insurance costs in the past few years has been significant. Health insurance rates continue to increase for 2015. The following chart depicts the increases in health premiums for our most common plans since 2010:

Health Care Cost Increases (Most Common Plans)					
		2010 Monthly Premium Rate	2015 Monthly Premium Rate	\$ Difference Rates/month	Premium % Change
Blue Shield Net Value	EE	\$420.59	\$561.09	\$140.50	33.41%
	EE+1	\$841.18	\$1,122.18	\$281.00	33.41%
	EE+2	\$1,093.53	\$1,458.83	\$362.30	33.41%
PERS Choice	EE	\$472.83	\$594.40	\$121.57	25.71%
	EE+1	\$945.66	\$1,188.80	\$243.14	25.71%
	EE+2	\$1,229.36	\$1,545.44	\$316.08	25.71%

As an example: an employee who chooses family coverage for Blue Shield Net Value will pay between \$483 and \$708 out of pocket each month depending on their bargaining unit.

Bargaining agreements with all County employee organizations include fixed dollar cafeteria contributions that the employer makes to the health plans selected by employees. While some employee organizations have negotiated increases in cafeteria contributions in recent years, the increases have not been equivalent to the increase in the cost of health care. Employees have been responsible for any increases in health care costs in excess of the County's cafeteria contributions.

In early 2007, public agencies across the State were faced with the most challenging financial outlook experienced in

¹ Eligible employees: Regular full-time and part-time employees in probationary or permanent status. Not eligible: Temporary or contract employees.

decades. Although San Luis Obispo County's financial situation at the time was stable, it was necessary to make plans to address the anticipated fiscal challenges. The County adopted a multi-year plan to address the budget crisis and significant impending budget deficits. That plan became known as the County's seven year "pain plan." Through thoughtful strategic planning, the Board provided direction and initiatives to address the significant General Fund deficit which reached its peak in FY 2009-10 at \$30 million.

The County took a balanced approach in addressing the fiscal shortfalls caused by the recession by 1) reducing contingency reserves, 2) making program and service reductions, and 3) asking employees for wage and benefit concessions. All employee groups have made wage and benefit concessions which have assisted the County in achieving its fiscal objectives. All groups have deferred negotiated salary increases, with some groups actually eliminating previously negotiated salary increases. All of this occurred while employees faced significant increases in health care costs and shared increases in pension costs with the County. As we slowly begin to come out of the recession it is important to apply the same approach in replenishing each of these three areas listed above.

In preparing our mid-year budget update, we identified one-time funds available in order to make this one-time payment to all employees. As presented at the September 16, 2014 Board of Supervisors' meeting ([Agenda Item Transmittal for agenda item number 10](#)), non-departmental revenues for FY 2013-14 ended that year over adopted levels and nearly all County departments ended Fiscal Year 2013-14 at or below budget. This resulted in significant savings to the County's Fund Balance Available. Some of these one-time funds will be used by employees to offset some of the health care costs they have absorbed.

If approved, this one-time payment will be included in the December 12, 2014 payroll distribution and will be made to employees in all bargaining units who are employed at any point during the pay period which includes December 2, 2014 (pay period beginning November 23, 2014). This will be paid to all employees regardless of whether they participate in the County's health insurance program. All employees and their families have been impacted by the increase costs of health care, not just those enrolled in County sponsored plans. The amount will be reported as taxable income and is non-pensionable.

The collective bargaining laws in California preclude employers from unilaterally granting benefit increases similar to the one being proposed in this report when opposed by an employee organization. To comply with the law, the Department of Human Resources sent letters to all employee organizations informing them of the plan to confer the one-time Health Care Offset payment to all permanent and permanent part-time employees if approved by the Board. No employee organization has informed the County that they are opposed to receiving the one-time payment.

OTHER AGENCY INVOLVEMENT

County Counsel has reviewed and approved the Resolution for legal form and effect. The Auditor's Office and Human Resources will process the system changes needed to implement this one-time distribution.

FINANCIAL CONSIDERATIONS

Departmental savings will be the primary source of funding for these one-time payments. To the extent that departmental savings are not available to cover the amount, staff will recommend that your Board authorize a transfer of the deficient amount out of General Fund Contingencies and/or reserves to departmental operating budgets, as needed, as part of the third quarter report. The third quarter is when many such year-end adjustments are made. Total County costs for FY 2014-15 for the Health Care Cost Offset are approximately \$2,426,000. Since this is a one-time payment, there are no annual ongoing costs.

RESULTS

Approval of this Resolution follows the County's budget policy of a balanced approach to reintroducing resources back into contingencies and reserves, programs and services, and addresses employee compensation.

ATTACHMENTS

1. Resolution